

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7994

BILL NUMBER: HB 1842

DATE PREPARED: Feb 26, 2001

BILL AMENDED: Feb 21, 2001

SUBJECT: Tobacco Settlement Funds.

FISCAL ANALYST: Kathy Norris

PHONE NUMBER: 234-1360

FUNDS AFFECTED:

GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill creates a formula to determine the maximum amount of distributions that may be made from the Tobacco Master Settlement Agreement Fund each fiscal year. The bill creates the Regional Health Care Construction Account and provides that the amounts appropriated for the Regional Health Facilities Construction Account shall be transferred from the Fund before any other distributions. It converts certain existing trust funds to accounts within the Indiana Tobacco Master Settlement Agreement Fund. The bill makes conforming changes. It transfers unclaimed lottery prize money to the Indiana Prescription Drug Account. The bill also provides that legislators on the Indiana Prescription Drug Advisory Committee are voting members. The bill appropriates funds from the Tobacco Master Settlement Agreement Fund.

Effective Date: (Amended) Upon passage; July 1, 2001.

Explanation of State Expenditures: *Summary:* This bill revises the formula used to determine the maximum amount of distributions that may be made from the Tobacco Master Settlement Agreement Fund each fiscal year. The revision allows for more distributions to be made from the annual settlement revenue while decreasing the level of funds accumulating in the Settlement Fund that are not allowed to be transferred, expended or distributed. The bill appropriates \$92.1 M of Tobacco Settlement funds in FY 2002 and \$176,049,546 in FY 2003. The bill provides for \$63,288,050 of Tobacco Settlement funds to accumulate in the trust funds and allows \$27,048,518 of unappropriated funds from the FY 2001 settlement distribution that otherwise would be allocated to the trust to be distributed in subsequent years.

Formula Revisions: The formula is revised to subtract the amount appropriated for the Children's Health Insurance Program (CHIP) from the revenue estimated to be received by the State in the fiscal year. The remainder is multiplied by 75% to determine the maximum amount of the fiscal year Tobacco revenue that may be distributed. (*Current law specifies that the revenue received or estimated to be received is multiplied by 60% to determine the maximum amount of the year's Tobacco Settlement revenue that may be distributed.*) Additionally, any amounts that were available for expenditure, transfer or distribution during

preceding state fiscal years but were not distributed are included in determining the amount of funds available for distribution, transfer or expenditure. *(Current law specifies that these funds are to be set aside in the trust and are not available for distribution in subsequent years.)*

The bill creates the Regional Health Care Construction Account within the Tobacco Master Settlement Agreement Fund to provide funding for state psychiatric hospitals and developmental centers or other health facilities designed to provide crisis treatment, rehabilitation, or intervention for adults or children with mental illness, addictions, developmental disabilities, or other medical or rehabilitative needs. The bill specifies that the Regional Health Care Construction Account is to receive 100% of the designated appropriation before any other distributions of Tobacco Settlement funds. If for any reason the settlement revenue is insufficient to fully fund all appropriations made from the Tobacco Fund, The Regional Health Care Construction Account is to receive the full appropriation. All other appropriations are to be proportionally reduced.

The bill changes the Indiana Health Care Trust Fund, the Biomedical Technology and Basic Research Trust Fund, the Indiana Local Health Department Trust Fund, and the Indiana Prescription Drug Fund from separate funds to accounts within the Indiana Tobacco Master Settlement Agreement Fund. The bill also removes the provision that each of the accounts will accumulate interest earnings. This provision may result in an increase in interest earnings that accumulate within the Indiana Tobacco Master Settlement Agreement Fund. The extent of the increase in interest revenue accumulating within the Tobacco Master Settlement Agreement Trust Fund is dependent on the cash flow and individual investments within the fund. The bill also revises the source of funds available to pay the expenses of the Indiana Health Care Account Advisory Board from the Tobacco Master Settlement Agreement Fund to the Indiana Health Care Account.

The bill defines when instant win lottery prizes expire and specifies that each month the Lottery Commission is to transfer all unclaimed lottery prize money to the Indiana Prescription Drug Account. *(Currently, these funds are added to the pool of funds available for future prizes or is used for special prize promotions.)*

The bill and existing statutes (P.L. 21-2000) provide for the appropriations shown in the table below.

	P.L.21-2000	HB 1842	HB 1842
Tobacco Fund Appropriations:	FY 2001	FY 2002	FY 2003
Local Health Maintenance	1,500,000	700,000	700,000
Tobacco Use Prevention	35,000,000	5,000,000	25,000,000
Prescription Drug Program	20,000,000	10,000,000	20,000,000
Primary Health Care Centers	15,000,000	15,000,000	16,000,000
Developmentally Disabled Client Services			49,649,546
Local Health Dept. Trust Acct. (Jan. 2001)	3,000,000	3,000,000	
Health Center Capital Appropriation	10,000,000		1,000,000
Regional Health Care Construction	14,000,000	14,000,000	14,000,000
Rural Community Impact Fund		5,700,000	5,700,000
Children's Health Insurance Program (CHIP)		31,700,000	37,000,000
Health Care Advisory Board exclusive of CHIP		7,000,000	7,000,000
Total Tobacco Appropriations for the Biennium	98,500,000	92,100,000	176,049,546
Lottery Appropriation:			
Prescription Drug Program		5,000,000	5,000,000

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures, above.

State Agencies Affected: State Budget Agency, Treasurer of State, State Department of Health.

Local Agencies Affected:

Information Sources: